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For a week in which fell the Ides of March, it was perhaps fitting that the Treasury market experienced its biggest loss of blood of any week this year. With the yield on the Ten Year note beginning the week near its range-bound 2% level, a series of encouraging economic releases coupled with a slightly less moribund FOMC statement produced a multi-day sell-off that saw the yield on the Benchmark issue reach a high of 2.34% on Thursday. Also making a contribution to the week's three point price decline was the Treasury's sale of \$66B worth of *threes, tens, and thirties*. With higher bid-to-cover ratios than February's auctions produced, the issues were well received by the market, albeit at a price. That price came in the form of significantly higher yields demanded by investors.

The 1.1% increase in Retail Sales reported on Tuesday fit in well with that day's FOMC meeting. The Committee's post-meeting statement, while leaving policy unchanged, had a bit more positive tone than did January's. A conclusion reached by most observers is that another round of Quantitative Easing has become increasingly less likely. The resurgent manufacturing sector was bolstered on Thursday by a rise in the Empire State Manufacturing Survey along with more good news for the labor market. Initial Jobless Claims came in at 351m, the ninth straight week that measurement has been below 400m. Thursday also saw monthly Producer Price Index numbers increase modestly by .4% for the headline rate and by just .2% for the *ex-food and energy* measurement. These were followed up today by a .4% increase in the month-over-month Consumer Price Index headline rate with only a .1% increase in the core value.

Slightly less sunny news also came out this morning with a bit of a downturn in the University of Michigan's Consumer Sentiment Index along with unchanged Industrial Production and a modest drop in Capacity Utilization. Next week will shed more light on the housing situation as new sales numbers are expected to be released.

Headline CPI rose .4% last month with 80% of the increase being accounted for by higher fuel prices.

**Consumer Price Index (MoM) - Since 1992**



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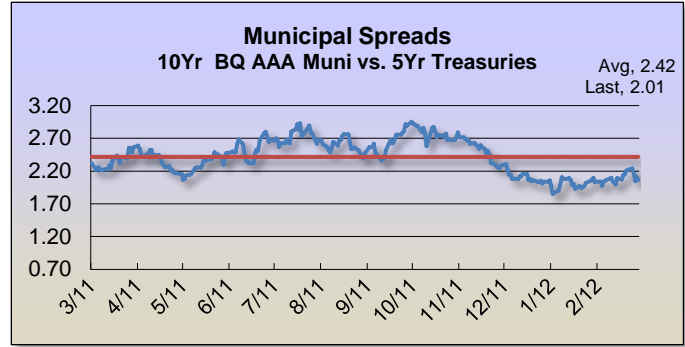
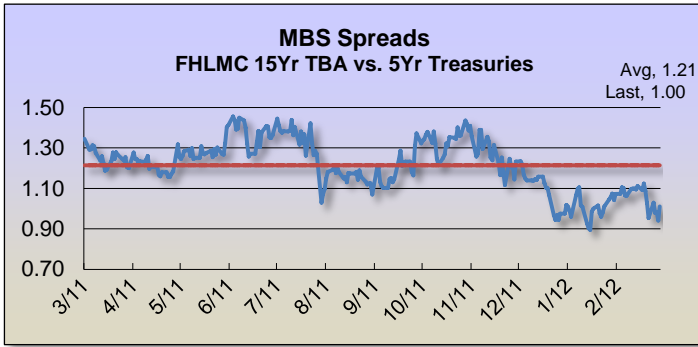
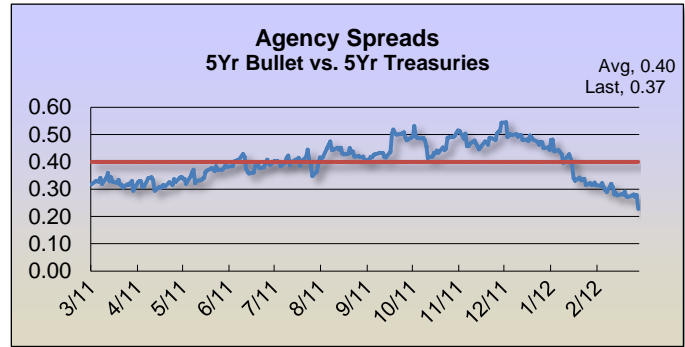
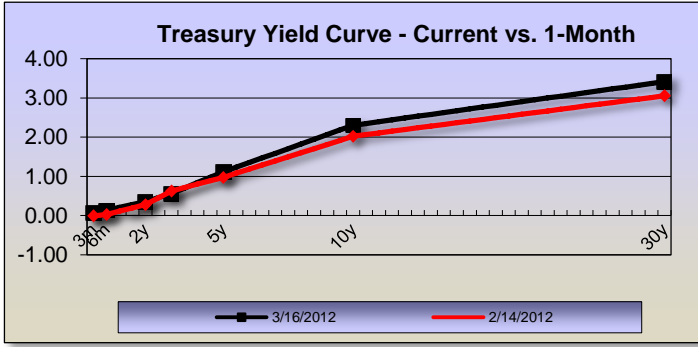
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# Baker Market Update



March 16, 2012



Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.08	(0.01)	0.10	0.00	0.09	3mo	0.15					2Yr	-	-	-	-
6mo	0.14	0.01	0.12	0.02	0.14	6mo	0.20					3Yr	-	-	-	0.69
1yr	0.19	0.01	0.16	0.07	0.21	1yr	0.23					5Yr	-	1.27	1.41	1.44
2yr	0.36	0.04	0.29	0.17	0.55	2yr	0.43	0.62	0.91	0.92	0.70	7Yr	-	1.84	2.05	2.06
3yr	0.57	0.10	0.41	0.42	0.98	3yr	0.67	0.81	1.06	1.10	0.90	10Yr	-	2.59	2.69	2.74
5yr	1.12	0.22	0.86	0.91	1.84	5yr	1.30	1.35	1.88	1.91	1.55	April TBA MBS				
7yr	1.69	0.27	1.40	1.47	2.52	7yr	1.88	1.86	2.54	2.57	2.20	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.30	0.27	1.98	2.05	3.17	10yr	2.72	2.36	3.15	3.20	2.62	4.00	1.65	2.66y	2.42	3.26y
30yr	3.42	0.24	3.14	3.31	4.36	20yr	3.55		4.90	4.97	4.56	4.50	1.73	2.71y	2.01	2.71y
												5.00	1.63	2.51y	1.66	2.55y
												5.50	1.89	2.66y	2.15	2.88y
												6.00	2.90	2.83y	2.11	2.8y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	0.25
Primary Discount	0.75	--	0.75	0.75	0.75
2ndary Discount	1.25	--	1.25	1.25	1.25
Prime Rate	3.25	--	3.25	3.25	3.25
1 Month LIBOR	0.24	--	0.25	0.23	0.25
3 Month LIBOR	0.47	--	0.49	0.35	0.31
6 Month LIBOR	0.74	--	0.75	0.52	0.46
1 Year LIBOR	1.05	--	1.07	0.83	0.77
6 Month CD	0.72	--	0.73	0.54	0.49
1 Year CMT	0.21	0.03	0.18	0.10	0.23
REPO O/N	0.17	--	0.08	0.05	0.06
REPO 1Wk	0.17	--	0.10	0.07	0.06
CoF National Med	1.16	--	1.20	1.34	1.53
11th District CoF	1.22	--	1.22	1.35	1.48

FHLB Fixed Advance Rates				
Maturity	Chicago	Boston	Dallas	Topeka
3mo	0.24	0.30	0.17	0.37
6mo	0.29	0.34	0.22	0.45
1yr	0.35	0.45	0.27	0.50
2yr	0.56	0.80	0.77	0.78
3yr	0.90	1.09	1.03	1.03
4yr	1.19	1.41	1.30	1.36
5yr	1.49	1.72	1.61	1.68
7yr	2.11	2.43	2.36	--
10yr	2.85	3.18	3.07	2.99
5yr Am	1.11		1.23	1.32
10yr Am	2.28		2.34	2.31

Fed Fund Futures	
Maturity	Rate
Mar-12	0.125
Apr-12	0.130
May-12	0.135
Jun-12	0.140
Jul-12	0.150
Aug-12	0.160
Sep-12	0.165
Oct-12	0.170
Nov-12	0.180
Dec-12	0.180
Jan-13	0.195

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# Baker Market Update



March 16, 2012

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
03/12	U.S. Sells USD32 Bln 3-Year Notes; High Yld 0.456%					
03/12	Monthly Budget Statement	FEB	-\$229.0B	-\$231.7B	-\$222.5B	--
03/13	NFIB Small Business Optimism	FEB	94.5	94.3	93.9	--
03/13	Advance Retail Sales	FEB	1.1%	1.1%	0.4%	0.6%
03/13	Retail Sales Less Autos	FEB	0.70%	0.9%	0.7%	1.1%
03/13	Retail Sales Ex Auto & Gas	FEB	0.50%	0.6%	0.6%	1.0%
03/13	Retail Sales "Control Group"	FEB	0.5%	0.5%	0.7%	1.0%
03/13	IBD/TIPP Economic Optimism	MAR	50.0	47.5	49.4	--
03/13	JOLT's Job Openings	JAN	3,334	3,459	3,376	3,540
03/13	Business Inventories	JAN	0.5%	0.7%	0.4%	0.6%
03/13	U.S. Sells USD21 Bln 10-Year Notes Reopening; High Yld 2.076%					
03/13	FOMC Rate Decision	3/13	0.25%	0.25%	0.25%	--
03/14	MBA Mortgage Applications	3/9	--	-2.4%	-1.2%	--
03/14	Import Price Index (MoM)	FEB	0.6%	0.4%	0.3%	0.0%
03/14	Import Price Index (YoY)	FEB	5.8%	5.5%	7.1%	6.9%
03/14	Current Account Balance	4Q	-\$115.0B	-\$124.1B	-\$110.3B	-\$107.6B
03/14	U.S. Fed Purchases USD1.109 Bln Notes					
03/14	U.S. Sells USD13 Bln 30-Year Bonds Reopening; High Yld 3.383%					
03/15	Empire Manufacturing	MAR	17.5	20.2	19.5	--
03/15	Producer Price Index (MoM)	FEB	0.5%	0.4%	0.1%	--
03/15	PPI Ex Food & Energy (MoM)	FEB	0.2%	0.2%	0.4%	--
03/15	Producer Price Index (YoY)	FEB	3.3%	3.3%	4.1%	--
03/15	PPI Ex Food & Energy (YoY)	FEB	2.9%	3.0%	3.0%	--
03/15	Initial Jobless Claims	3/10	357K	351K	362K	365K
03/15	Continuing Claims	3/3	3405K	3343K	3416K	3424K
03/15	Total Net TIC Flows	JAN	\$40.0B	\$18.8B	\$87.4B	\$95.2B
03/15	Net Long-term TIC Flows	JAN	\$38.5B	\$101.0B	\$17.9B	\$19.1B
03/15	Bloomberg Consumer Comfort	3/11	(36.0)	(33.7)	(36.7)	--
03/15	Philadelphia Fed.	MAR	12.0	12.5	10.2	--
03/16	Consumer Price Index (MoM)	FEB	0.4%	0.4%	0.2%	--
03/16	CPI Ex Food & Energy (MoM)	FEB	0.2%	0.1%	0.2%	--
03/16	Consumer Price Index (YoY)	FEB	2.9%	2.9%	2.9%	--
03/16	CPI Ex Food & Energy (YoY)	FEB	2.2%	2.2%	2.3%	--
03/16	Industrial Production	FEB	0.4%	0.0%	0.0%	0.4%
03/16	Capacity Utilization	FEB	78.8%	78.7%	78.5%	78.8%
03/16	U. of Michigan Confidence	MAR P	76.0	74.3	75.3	--
03/19	NAHB Housing Market Index	MAR	30.0	--	29.0	--
03/20	Housing Starts	FEB	700K	--	699K	--
03/20	Building Permits	FEB	685K	--	676K	682K
03/21	MBA Mortgage Applications	3/16	--	--	-2.4%	--
03/21	Existing Home Sales	FEB	4.60M	--	4.57M	--
03/22	Initial Jobless Claims	3/17	350K	--	351K	--
03/22	Continuing Claims	3/10	3390K	--	3343K	--
03/22	Bloomberg Consumer Comfort	3/18	--	--	(33.7)	--
03/22	House Price Index MoM	JAN	0.2%	--	0.7%	--
03/22	Leading Indicators	FEB	0.6%	--	0.4%	--
03/23	New Home Sales	FEB	325K	--	321K	--

MBS Prepayments <sup>4</sup>					
3-Month CPR					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	25.9	26.0	23.2	19.6	17.1
FH/FN 15y	25.6	23.4	22.0	19.6	16.6
GN 15y	18.6	18.6	16.0	15.0	14.8
FH/FN 20y	25.8	26.7	26.0	22.3	17.8
FH/FN 30y	26.9	26.5	27.0	24.2	20.8
GN 30y	18.7	20.3	22.8	20.6	17.4
PSA Projections					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	425	447	413	368	359
FH/FN 15y	429	444	414	368	359
GN 15y	290	355	360	338	265
FH/FN 20y	406	449	430	396	395
FH/FN 30y	512	528	490	492	466
GN 30y	341	419	424	443	424

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	83.33	0.87	78.94	76.79	79.59
Euro	1.32	0.00	1.31	1.38	1.39
Dollar Index	79.78	(0.26)	79.35	76.60	76.68
<b>Major Stock Indices</b>					
Dow Jones	13,257.3	335.3	12,904.1	11,509.1	11,613.3
S&P 500	1,405.1	34.2	1,358.0	1,216.0	1,256.9
NASDAQ	3,058.2	69.9	2,959.9	2,622.3	2,616.8
<b>Commodities</b>					
Gold	1,656.00	(55.50)	1,728.40	1,818.30	1,404.80
Crude Oil	106.20	(1.20)	102.64	89.53	100.27
Natural Gas	2.32	(0.00)	2.71	4.26	4.73
Wheat	668.3	25.3	635.3	748.3	793.3
Corn	669.50	24.50	639.75	713.50	565.00

Notes: <sup>1</sup> Call Agy = Maturity at left w/ a 1-Year Call at Par; <sup>2</sup> Muni TEY (34% Fed, 2.0% COF); <sup>3</sup> S-Corp TEY Muni (35%, no TEFERA); <sup>4</sup> MBS Prepayments are provided by Bloomberg  
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